NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE CONTACT: Mitchel Benson
June 14, 2004 (916) 653-4052

AT URGING OF CALIFORNIA TREASURER ANGELIDES & CALPERS PRESIDENT SEAN HARRIGAN, CALPERS WILL ACTIVELY OPPOSE CONTROVERSIAL MERGER OF WELLPOINT HEALTH NETWORKS, INC. AND ANTHEM, INC.

Angelides Assails 'Egregiously Unwarranted' Pay – Which Could Exceed a Half-Billion Dollars – For WellPoint Executives

SACRAMENTO, CA – The California Public Employees' Retirement System (CalPERS) – responding to the concerns and recommendations of State Treasurer Phil Angelides and Sean Harrigan, President of the CalPERS Board of Administration – announced today that it will oppose the controversial merger of WellPoint Health Networks, Inc., the parent company of Blue Cross of California, and Indianapolis-based Anthem, Inc.

In a letter to fellow CalPERS board members sent earlier today, the Treasurer and Harrigan had urged the nation's largest public pension fund "as a significant shareholder in both companies to oppose this merger given the egregiously unwarranted pay that would be awarded to top WellPoint executives." WellPoint's top executives stand to receive a bonus, severance and stock option package that could exceed a half billion dollars as a result of the merger of the firms.

At its morning Investment Committee meeting, CalPERS announced – as the Treasurer and Harrigan also had recommended – that it will contact other major shareholders of WellPoint and Anthem and enlist them in opposing the merger at the June 28 shareholder meeting called to approve the deal. CalPERS also will contact respected shareholder advisory firms such as Institutional Shareholder Services, and ask them to reconsider their evaluations of the $16.4 billion health-plan merger, in the wake of the recent revelations concerning the merger's severance and stock option packages for WellPoint's executives.

CalPERS also will urge Governor Arnold Schwarzenegger's Department of Managed Health Care (DMHC) to schedule a public hearing on the merger. CalPERS will ask the agency to condition its approval of any WellPoint-Anthem merger on the elimination of the excessive executive compensation packages that are now part of the deal.

In their letter, Angelides and Harrigan urged CalPERS to oppose the merger at the upcoming June 28 shareholder meetings, "unless WellPoint's top management relinquishes these extraordinary payments." CalPERS owns 721,840 shares of WellPoint and 612,938 shares of Anthem as part of its indexed stock holdings, combined holdings worth nearly $136.6 million. Angelides and Harrigan also urged CalPERS "to enlist other major shareholders to do the same."

At today's news conference, the Treasurer – who also sits on the CalSTRS board – also discussed a similar letter he sent today to CalSTRS, in which he urged the nation's third-largest public pension fund to oppose the merger, too. CalSTRS owns 627,635 shares of WellPoint and 502,094 shares of Anthem as part of its indexed stock holdings, combined holdings worth nearly $116 million.

"In all, WellPoint's top management could walk away from a deal valued at $16.4 billion with more than a half billion dollars, twice the amount of the annual efficiency savings projected from the merger," the Treasurer wrote in his letters to CalPERS and CalSTRS. "These astonishing sums can come from only two places: from the merged firm's shareholders or from the health consumers, including 7 million Californians, who pay its insurance premiums."

A disproportionate share of the payouts would go to a handful of top WellPoint executives, with the largest cut going to Leonard D. Schaeffer, the company's chairman and chief executive officer. According to WellPoint, Mr. Schaeffer, who will give up his CEO post to become chairman of the merged company, will receive $76 million in severance and enhanced retirement benefits as a result of the merger. The company has also committed to increase that payout to cover Mr. Schaeffer's liability, if any, for the federal excise tax on excessive "golden parachute" compensation.

"Mr. Schaeffer's compensation package rivals in audacity and excess the salary grab by ousted New York Stock Exchange Chairman Richard Grasso, and it simply cannot be justified," Angelides said.

In a filing with the State Department of Managed Health Care, and a statement by Anthem President Larry Glasscock, the two companies have asserted that Anthem – and not California health insurance customers – will fund the huge payouts to WellPoint executives. "That means that the bounty proposed to be paid to WellPoint's top executives will come out of the pockets of shareholders," Angelides and Harrigan wrote.

Given the way WellPoint proposes to pay off its top executives, they wrote, "it is hard to avoid the conclusion that this deal is designed to benefit them first, not the shareholders."

In urging the Schwarzenegger Administration to weigh in on the matter, Angelides and Harrigan pointed out in their letter that the state Knox-Keene Act, which regulates health plans, forbids plans from expending “excessive amounts” on administrative costs, including salaries and bonuses to plan officers, and authorizes the State’s DMHC to investigate and call upon plans to institute procedures to assure that administrative costs are “not excessive.” “CalPERS should make its voice heard on this matter,” Angelides and Harrigan wrote, “at the public hearing that we are urging DMHC to hold to look into the merger.”

On October 26, 2003, WellPoint agreed to be purchased by Anthem for $16.4 billion in stock and cash. Just last week, it was revealed, in a document released by DMHC, that WellPoint’s top executives stand to receive bonuses and severance payments of at least $147 million, and potentially as much as $356.4 million, as a result of the merger of the firms. In addition, WellPoint’s executives could receive stock options valued at $251 million.

NOTE: Copies of the Treasurer’s letters to CalPERS and CalSTRS can be found on the Treasurer’s Office website, at www.treasurer.ca.gov.

PHILIP ANGELIDES
Treasurer
State of California

June 14, 2004

Honorable Members
Investment Committee
California Public Employees' Retirement System
Lincoln Plaza
400 P Street
Sacramento, CA 95814

Dear Honorable Members:

We are writing to express our deep concern about the proposed merger of WellPoint Health Networks, Inc., the parent company of Blue Cross of California, and Anthem Inc., a health insurer based in Indianapolis, and to urge that the California Public Employees' Retirement System (CalPERS) take immediate action as a significant shareholder in both companies to oppose this merger given the egregiously unwarranted pay that would be awarded to top WellPoint executives.

On October 26, 2003, WellPoint agreed to be purchased by Anthem for $16.4 billion in stock and cash. Just last week, it was revealed, in a document released by the California Department of Managed Health Care (DMHC), that WellPoint's top executives stand to receive bonuses and severance payments of at least $147 million, and potentially as much as $356.4 million, as a result of the merger of the firms. In addition, WellPoint's "Change in Control Plan" provides that executives who receive severance will be vested immediately in their unvested stock options, at a net value to them of $251 million. In all, WellPoint's top management could walk away from a deal valued at $16.4 billion with more than a half billion dollars, twice the amount of the annual efficiency savings projected from the merger.

These astonishing sums can come from only two places: from the merged firm's shareholders or from the health consumers, including 7 million Californians, who pay its insurance premiums. In a filing with the DMHC and a statement by Anthem President

Larry Glasscock, the two companies have asserted that Anthem, not California health insurance customers, will fund these huge payouts to WellPoint executives. That means that the bounty proposed to be paid to WellPoint's top executives will come out of the pockets of shareholders.

The California Public Employees' Retirement System (CalPERS) is, of course, one of those shareholders. CalPERS owns 721,840 shares of WellPoint and 612,938 shares of Anthem as part of its indexed stock holdings, which mirror the broad market. The current market value of these holdings is approximately $138 million. To protect the interests of our members and of California taxpayers, we strongly urge that CalPERS oppose the merger at the upcoming June 28 shareholder meetings unless WellPoint's top management relinquishes these extraordinary payments. We further urge CalPERS to enlist other major shareholders to do the same.

Moreover, we ask CalPERS to join us in demanding that Gov. Schwarzenegger and his administration not approve the WellPoint-Anthem merger unless conditions are imposed to prevent this unjustifiable executive compensation. The Knox-Keene Act regulating health plans forbids plans from expending "excessive amounts" on administrative costs, including salaries and bonuses to plan officers, and authorizes the DMHC to investigate and call upon plans to institute procedures to assure that administrative costs are "not excessive." CalPERS should make its voice heard on this matter at the public hearing the DMHC may finally hold to look into the merger.

The potential for these staggering payouts to WellPoint's executives arises from the company's Officer Change in Control Plan, adopted in 1998 and modified in 2001. Under the plan, 293 WellPoint executives are in line to receive huge bonuses whether or not they stay with the company following the completion of the merger. (Anthem has no similar plan for its executives.) These bonuses are not linked to the performance of the merged company and will be granted whether are not the merger benefits shareholders. The cost of these bonuses, disclosed by WellPoint in an April 21, 2004 filing with the DMHC, which became public last week, is considerably higher than the amounts that can be identified by shareholders who read the Joint Final Proxy Statement/Prospectus issued May 11, 2004 by the two companies.

WellPoint executives who remain with the merged company will receive a bonus equal to one year's salary and bonus. Half of the bonus will be payable on the first anniversary of completion of the merger, with the other half payable on the second anniversary. According to WellPoint, if all the covered executives remain with the merged company, they will receive a total of $147.3 million in merger completion bonuses.

Even larger amounts will be paid to the executives in cash severance if they are "involuntarily" and "constructively" terminated within three years of the closing of the merger. Executives who leave will receive cash payments equal to between two and three times their annual salary and bonus. WellPoint executives will be eligible to leave and take this severance payout if the merger results in a reduction in their “title, status, duties or compensation” or if they are required to relocate more than 35 miles from their current work site. (WellPoint headquarters are in Thousand Oaks, California; the merged company’s headquarters will be in Indianapolis.) In other words, by the mere fact of this merger, many executives will be able to claim these huge payouts.

According to WellPoint, its executives are eligible for up to $356.4 million in severance payments. Further, the unvested stock options held by terminated executives would immediately vest. The net value of those unvested options at $112 a share would be $251.2 million, according to WellPoint.

A disproportionate share of these payouts would go to a handful of top WellPoint executives, with the largest cut going to Mr. Leonard D. Schaeffer, chairman and chief executive officer of the company. According to WellPoint, Mr. Schaeffer, who will give up his CEO post to become chairman of the merged company, will receive $76 million in severance and enhanced retirement benefits as a result of the merger. The company has also committed to increase that payout to cover Mr. Schaeffer’s liability, if any, for the federal excise tax on excessive “golden parachute” compensation. A compensation award of this magnitude, one that rivals in audacity and excess the salary grab by ousted New York Stock Exchange Chairman Richard Grasso, simply cannot be justified.

Mr. Schaeffer, who came to the company when it was still a non-profit insurer, has already been lavishly compensated for his work. In 2003 alone, for example, according to WellPoint’s financial disclosure forms, he received a salary of $1,310,000 and a bonus of $6,037,031. In addition, the company forgave a loan to Mr. Schaeffer of $2,243,670, gave him a special bonus of $2,000,000 and awarded him stock options on 612,918 shares with a present value of $13,407,451. Mr. Schaeffer also received life insurance in amounts totaling three times his base salary; the lease of an automobile; three memberships in luncheon, professional or athletic clubs of his choice; $26,250 for financial and tax counseling services; and $17,022 to cover tax obligations for financial planning services provided to him by WellPoint. Even without any special bonuses, Mr. Schaeffer has already been handsomely rewarded and also stands to gain further from the merger if it is, in fact, beneficial to shareholders. As of June 1, he owned 1,029,128 shares in the company worth approximately $117 million, and he held unexercised options on 3,160,155 shares as of the beginning of this year.

WellPoint describes its Officer Change in Control Plan as ensuring “continuity of management” when control of the company changes. But the incentives in the plan work the other direction. The participating executives will receive considerably more compensation for leaving the merged company than for staying. The potential cost of the severance benefits dwarfs one of the proffered purposes of the merger—achieving efficiencies from combining the companies. According to the joint proxy, the combined company hopes to achieve $250 million of savings by 2006, far less than the more than half-billion dollars that could be taken away by WellPoint executives. That compensation has no link to the merged company's performance over the long-term horizon, which is critical to a shareholder like CalPERS.

Indeed, given the way WellPoint proposes to pay off its top executives, it is hard to avoid the conclusion that this deal is designed to benefit them first, not the shareholders. Of the many recent examples of corporate executive enrichment at the expense of shareholders, WellPoint's bonuses to Mr. Schaeffer and his colleagues rank among the most egregious. We urge CalPERS to stand against this outrageous money grab by opposing the merger, both in the June 28 proxy voting and in the Department of Managed Health Care administrative proceedings, unless WellPoint's top executives give up their unearned payday.

Sincerely,

Phil Angelides
State Treasurer

Sean Harrigan
President, CalPERS Board of Administration

PHILIP ANGELIDES
Treasurer
State of California

June 14, 2004

Mr. Chris Ailman
Chief Investment Officer
California State Teachers' Retirement System
7667 Folsom Boulevard
Sacramento, CA 95826

Dear Mr. Ailman:

I am writing to express my deep concern about the proposed merger of WellPoint Health Networks, Inc., the parent company of Blue Cross of California, and Anthem Inc., a health insurer based in Indianapolis, and to urge that the California State Teachers' Retirement System (CalSTRS) take immediate action as a significant shareholder in both companies to oppose this merger given the egregiously unwarranted pay that would be awarded to top WellPoint executives.

On October 26, 2003, WellPoint agreed to be purchased by Anthem for $16.4 billion in stock and cash. Just last week, it was revealed, in a document released by the California Department of Managed Health Care (DMHC), that WellPoint's top executives stand to receive bonuses and severance payments of at least $147 million, and potentially as much as $356.4 million, as a result of the merger of the firms. In addition, WellPoint's "Change in Control Plan" provides that executives who receive severance will be vested immediately in their unvested stock options, at a net value to them of $251 million. In all, WellPoint's top management could walk away from a deal valued at $16.4 billion with more than a half billion dollars, twice the amount of the annual efficiency savings projected from the merger.

These astonishing sums can come from only two places: from the merged firm's shareholders or from the health consumers, including 7 million Californians, who pay its insurance premiums. In a filing with the DMHC and a statement by Anthem President

Larry Glasscock, the two companies have asserted that Anthem, not California health insurance customers, will fund these huge payouts to WellPoint executives. That means that the bounty proposed to be paid to WellPoint's top executives will come out of the pockets of shareholders.

The California State Teachers' Retirement System (CalSTRS) is, of course, one of those shareholders. CalSTRS owns 627,635 shares of WellPoint and 502,094 shares of Anthem as part of its indexed stock holdings, which mirror the broad market. The current market value of these holdings is approximately $ 117 million. To protect the interests of the members and of California taxpayers, I strongly urge that CalSTRS oppose the merger at the upcoming June 28 shareholder meetings unless WellPoint's top management relinquishes these extraordinary payments. I further urge CalSTRS to enlist other major shareholders to do the same.

Moreover, I ask CalSTRS to join me in demanding that Gov. Schwarzenegger and his administration not approve the WellPoint-Anthem merger unless conditions are imposed to prevent this unjustifiable executive compensation. The Knox-Keene Act regulating health plans forbids plans from expending "excessive amounts" on administrative costs, including salaries and bonuses to plan officers, and authorizes the DMHC to investigate and call upon plans to institute procedures to assure that administrative costs are "not excessive." CalSTRS should make its voice heard on this matter at the public hearing the DMHC may finally hold to look into the merger.

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Sincerely,

Phil Angelides
State Treasurer

cc: Honorable Members
CalSTRS Investment Committee